

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2018

**SFV EDUCATION
SFV 11341 DRONFIELD, LLC
SFV 8926 SUNLAND, LLC**

CHARTER SCHOOLS:

**FENTON AVENUE CHARTER SCHOOL
FENTON PRIMARY CENTER
SANTA MONICA BLVD. COMMUNITY
FENTON STEM ACADEMY
FENTON CHARTER LEADERSHIP ACADEMY**

**FENTON CHARTER PUBLIC SCHOOLS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fenton Charter Public Schools
Sun Valley, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fenton Charter Public Schools (the School), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The financial statements of SFV Education and its subsidiaries were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, beginning net assets for the School were restated in the amount of \$5,132,739 to record the defined benefit postretirement medical plan's unfunded liability in accordance with Accounting Standards Codification (ASC) 715. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Fenton Public Charter Schools, SFV Education and Eliminations columns in the consolidated statements of financial positions, activities, and cash flows and the accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
December 17, 2018

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS	Fenton Public Charter Schools	SFV Education	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 12,752,154	\$ 1,945,524	\$ -	\$ 14,697,678
Investments	1,491,523	-	-	1,491,523
Accounts Receivable - Federal and State	2,028,704	-	-	2,028,704
Accounts Receivable - Other	718,842	8,165	-	727,007
Intercompany Receivables	1,918,195	-	(1,918,195)	-
Prepaid Expenses and Other Assets	430,114	-	(81,500)	348,614
Total Current Assets	<u>19,339,532</u>	<u>1,953,689</u>	<u>(1,999,695)</u>	<u>19,293,526</u>
LONG-TERM ASSETS				
Property, Plant, and Equipment, Net	7,877,326	18,936,070	-	26,813,396
Intercompany Notes Receivable	1,246,944	-	(1,246,944)	-
Other Long-Term Assets	178,827	-	-	178,827
Total Long-Term Assets	<u>9,303,097</u>	<u>18,936,070</u>	<u>(1,246,944)</u>	<u>26,992,223</u>
Total Assets	<u>\$ 28,642,629</u>	<u>\$ 20,889,759</u>	<u>\$ (3,246,639)</u>	<u>\$ 46,285,749</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,472,090	\$ 71,934	\$ -	\$ 2,544,024
Intercompany Payables	-	1,918,195	(1,918,195)	-
Deferred Revenue	-	81,500	(81,500)	-
Capital Lease, Current Portion	185,968	-	-	185,968
Notes Payable, Current Portion	100,000	140,788	-	240,788
Total Current Liabilities	<u>2,758,058</u>	<u>2,212,417</u>	<u>(1,999,695)</u>	<u>2,970,780</u>
LONG-TERM LIABILITIES				
Defined Benefit Liability	7,285,902	-	-	7,285,902
Capital Lease	3,184	-	-	3,184
Notes Payable	100,012	19,297,427	(1,246,944)	18,150,495
Total Long-Term Liabilities	<u>7,389,098</u>	<u>19,297,427</u>	<u>(1,246,944)</u>	<u>25,439,581</u>
Total Liabilities	10,147,156	21,509,844	(3,246,639)	28,410,361
NET ASSETS				
Unrestricted	17,544,529	(620,085)	-	16,924,444
Temporarily Restricted	950,944	-	-	950,944
Total Net Assets	<u>18,495,473</u>	<u>(620,085)</u>	<u>-</u>	<u>17,875,388</u>
Total Liabilities and Net Assets	<u>\$ 28,642,629</u>	<u>\$ 20,889,759</u>	<u>\$ (3,246,639)</u>	<u>\$ 46,285,749</u>

See accompanying Notes to Consolidated Financial Statements.

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Fenton Public Charter Schools	SFV Education	Eliminations	Total
UNRESTRICTED NET ASSETS:				
REVENUES				
State Revenue:				
State Aid	\$ 22,401,670	\$ -	\$ -	\$ 22,401,670
Other State Revenue	4,896,216	-	-	4,896,216
Federal Revenue:				
Grants and Entitlements	5,098,865	-	-	5,098,865
Local Revenue:				
In-Lieu Property Tax Revenue	7,147,530	-	-	7,147,530
Interest and Investment Income	81,288	902	-	82,190
Other Revenue	1,527,446	1,775,500	(1,775,500)	1,527,446
Net Assets Released from Restriction	65,628	-	-	65,628
Total Revenues, Net	<u>41,218,643</u>	<u>1,776,402</u>	<u>(1,775,500)</u>	<u>41,219,545</u>
EXPENSES				
Program Services	41,213,824	1,013,154	(1,775,500)	40,451,478
Management and General	915,109	901,642	-	1,816,751
Total Expenses	<u>42,128,933</u>	<u>1,914,796</u>	<u>(1,775,500)</u>	<u>42,268,229</u>
CHANGE IN UNRESTRICTED NET ASSETS	(910,290)	(138,394)	-	(1,048,684)
TEMPORARILY RESTRICTED NET ASSETS:				
REVENUES				
Other State Revenue	772,088	-	-	772,088
Net Assets Released from Restriction	(65,628)	-	-	(65,628)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>706,460</u>	<u>-</u>	<u>-</u>	<u>706,460</u>
CHANGE IN TOTAL NET ASSETS	(203,830)	(138,394)	-	(342,224)
Net Assets - Beginning of Year	23,832,042	(481,691)	-	23,350,351
Adjustment for Restatement	(5,132,739)	-	-	(5,132,739)
Net Assets - Beginning of Year, as Restated	<u>18,699,303</u>	<u>(481,691)</u>	<u>-</u>	<u>18,217,612</u>
NET ASSETS - END OF YEAR	<u>\$ 18,495,473</u>	<u>\$ (620,085)</u>	<u>\$ -</u>	<u>\$ 17,875,388</u>

See accompanying Notes to Consolidated Financial Statements.

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Fenton Public Charter Schools	SFV Education	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (203,830)	\$ (138,394)	\$ -	\$ (342,224)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,056,057	506,654	-	1,562,711
Unrealized Loss on Investments	8,477	-	-	8,477
(Increase) Decrease in Assets:				
Accounts Receivable - Federal and State	(322,401)	-	-	(322,401)
Accounts Receivable - Other	6,884	-	-	6,884
Prepaid Expenses and Other Assets	168,810	43,943	-	212,753
Other Long-Term Assets	7,720	-	-	7,720
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Liabilities	133,905	4,944	-	138,849
Deferred Revenue	-	3,500	-	3,500
Defined Benefit Liability	2,153,163	-	-	2,153,163
Net Cash Provided by Operating Activities	<u>3,008,785</u>	<u>420,647</u>	<u>-</u>	<u>3,429,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Investments	(1,500,000)	-	-	(1,500,000)
Purchases of Property, Plant, and Equipment	(133,344)	-	-	(133,344)
Net Cash Used by Investing Activities	<u>(1,633,344)</u>	<u>-</u>	<u>-</u>	<u>(1,633,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment on Capital Lease	(192,566)	-	-	(192,566)
Repayments of Debt	(99,996)	(135,977)	-	(235,973)
Net Cash Used by Financing Activities	<u>(292,562)</u>	<u>(135,977)</u>	<u>-</u>	<u>(428,539)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,082,879	284,670	-	1,367,549
Cash and Cash Equivalents - Beginning of Year	<u>11,669,275</u>	<u>1,660,854</u>	<u>-</u>	<u>13,330,129</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,752,154</u>	<u>\$ 1,945,524</u>	<u>\$ -</u>	<u>\$ 14,697,678</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	<u>\$ 19,846</u>	<u>\$ 892,839</u>	<u>\$ -</u>	<u>\$ 912,685</u>

See accompanying Notes to Consolidated Financial Statements.

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Eliminations	Total
Salaries and Wages	\$ 19,488,252	\$ -	\$ -	\$ 19,488,252
Pension Expense	5,558,757	-	-	5,558,757
Other Employee Benefits	2,879,215	-	-	2,879,215
Payroll Taxes	520,652	-	-	520,652
Management Fees	2,947,939	267,362	-	3,215,301
Legal Expenses	-	52,530	-	52,530
Accounting Expenses	-	48,285	-	48,285
Instructional Materials	655,677	-	-	655,677
Other Fees for Services	459,524	295,492	-	755,016
Advertising and Promotion Expenses	11,959	-	-	11,959
Office Expenses	863,505	51,671	-	915,176
Information Technology Expenses	120,002	-	-	120,002
Occupancy Expenses	2,968,847	-	(1,775,500)	1,193,347
Travel Expenses	28,769	-	-	28,769
Interest Expense	-	912,685	-	912,685
Depreciation Expense	1,562,711	-	-	1,562,711
Insurance Expense	-	182,098	-	182,098
Other Expenses	4,161,169	6,628	-	4,167,797
Subtotal	<u>42,226,978</u>	<u>1,816,751</u>	<u>(1,775,500)</u>	<u>42,268,229</u>
Eliminations	<u>(1,775,500)</u>	<u>-</u>	<u>1,775,500</u>	<u>-</u>
Total Expenses by Function	<u>\$ 40,451,478</u>	<u>\$ 1,816,751</u>	<u>\$ -</u>	<u>\$ 42,268,229</u>

See accompanying Notes to Consolidated Financial Statements.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Fenton Charter Public Schools (FCPS or the School) is a nonprofit organization organized in the State of California. The School is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The charter schools within FCPS were formed as charter schools pursuant to California Education Code Section 47600 and authorized, as per current law, by the Los Angeles Unified School District (the District).

FCPS provides education to students in grades kindergarten through sixth grade. The mission of the School is to offer a high quality innovative education to all students in a safe, secure, nurturing environment where students, parents, and staff become a community of learners achieving collaborative and successful outcomes.

The School is economically dependent on state and federal funding.

The charter may be revoked by the District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Principles of Consolidation

The consolidated financial statements include the accounts of the School and a related party, SFV Education, a California non-profit public benefit corporation formed to provide facilities support to FCPS, and its subsidiaries, SFV 11351 Dronfield, LLC and SFV 8926 Sunland, LLC, single member limited liability companies. All material intercompany transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted

Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.

Permanently Restricted

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. The School had no permanently restricted net assets as of June 30, 2018.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Fenton Charter Public School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying consolidated statement of activities.

Accounts Receivable - Federal and State

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Accounts Receivable – Other

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary as management believes that all amounts are collectible.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost, or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the School's earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred. Fenton Charter Public School's policy is to evaluate the remaining lives and recoverability in light of the current conditions. It is reasonably possible that the School's estimate to recover the carrying amount of the property and equipment will change. Estimated useful lives range from three to fifty years, depending on the asset.

Deferred Revenue

Deferred revenue is recognized when potential revenue does not meet both the "measurable" and "available" criteria for recognition, or when resources are received by the School prior to meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the School has legal claim to the resources, the liability for deferred revenue is removed from the consolidated statement of financial position and revenue is recognized.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions.

All donor or grant restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Materials and Services

Contributed materials are recorded at their fair value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. FCPS receive services donated by volunteers in carrying out the School's operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the consolidated financial statements.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. FCPS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the School's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state General Fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 70% of the schools revenue. The School is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed when incurred.

Income Taxes

FCPS is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. FCPS is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2018, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

FCPS follows provisions of uncertain tax positions as addressed in ASC 958. FCPS recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the consolidated financial statements related to uncertain tax positions for the year ended June 30, 2018.

FCPS files informational and income tax returns in the United States and in the state of California.

Subsequent Events

In preparing these consolidated financial statements, FCPS has evaluated events and transactions for potential recognition or disclosure through December 17, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash in County Treasury

The School maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$7,413,662 as of June 30, 2018). The county is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investments in the pool is reported based upon FCPS pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The balance available for withdrawal is equal to the balance recorded in these consolidated financial statements.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 CONCENTRATION OF CREDIT RISK (CONTINUED)

Cash in Bank

The Schools cash is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. At times, the School's balance in its cash accounts exceeds the FDIC insurance coverage. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 INVESTMENTS

In accordance with FASB (ASC) No. 820, *Fair Value Measurements and Disclosures*, level 1 through level 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – The School's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The fair value of the School's investments as of June 30, 2018 was as follows:

	Fair Value Measurement 2018	
	Total	Level 1
Equities	\$ 95,967	\$ 95,967
Corporate Bonds	389,400	389,400
Mutual Funds	379,821	379,821
Cash and Cash Equivalents	626,335	-
Total Investments at Fair Value (FV)	\$ 1,491,523	\$ 865,188

Investment return is composed of the following:

Interest and Dividends	\$ 8,369
Unrealized Loss	(8,477)
Management Fees	(5,968)
Total Investment Return	\$ (6,076)

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment as of June 30, 2018 are as follows:

Land	2,001,722
Building and Improvements	29,757,823
Furniture, Fixtures, and Equipment	4,824,671
Leasehold Improvements	96,930
Total	<u>36,708,850</u>
Less: Accumulated Depreciation	<u>(9,895,454)</u>
Total Property, Plant, and Equipment	<u><u>\$ 26,813,396</u></u>

NOTE 5 LONG-TERM DEBT

CDE Revolving Loans

The School received two revolving loans from the California Department of Education (CDE) in the amount of \$250,000 each. The loans require annual principal payments of \$100,000. The loans have terms of five years and carry interest rates of 1%. Annual payments of principal and interest are deducted from School's apportionment. As of June 30, 2018 the combined outstanding balance was \$200,012.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 100,000
2020	100,012
Total	<u><u>\$ 200,012</u></u>

Capital Lease

The School leases certain equipment under three capital lease agreements with a combined capitalized cost of \$693,350. The leases mature in July 2019 and bear interest rates of 11.3%. Depreciation expense reported in the consolidated statement of activities includes \$173,338 for the equipment under the capital leases. At June 30, 2018 the accumulated depreciation on this equipment totaled \$491,124. The outstanding balance under these leases at June 30, 2018 was \$189,152.

Future minimum lease payments under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 188,213
2020	16,117
Subtotal	204,330
Less: Interest Portion	<u>(15,178)</u>
Total	<u><u>\$ 189,152</u></u>

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Notes Payable

SFV 11351 Dronfield, LLC has four notes payable with EXED Facilities, LLC totaling \$14,173,200. One of these notes was loaned to EXED Facilities, LLC from Fenton Public Charter Schools. The notes carry interest rates ranging from 3.93% to 5.42% and are secured by the facilities owned by the LLC. The notes require interest only payments until December 2019 at which time \$9,250,000 becomes due and the remaining balance is amortized with principal and interest payments required until maturity in December 2042. The combined balance outstanding as of June 30, 2018 under these four notes payable after eliminating the intercompany portion was \$12,926,256.

SFV 8926 Sunland, LLC has a note payable with Clearinghouse CDFI in the amount of \$5,500,000. The note carries an interest rate of 6.25%, requires monthly payments of principal and interest, and matures in February, 2030. The outstanding balance as of June 30, 2018 was \$5,258,069.

SFV 8926 Sunland, LLC has a note payable with the Alliance For College-Ready Public Schools in the amount of \$170,000. The note carries an interest rate of 3%, requires monthly principal and interest payments, and matures in July 2019. The outstanding balance as of June 30, 2018 was \$63,158.

Notes payable are reported on the consolidated statement of financial position net of issue costs of \$61,066. The costs are being amortized to interest expense over the life of the debt. Amortization for the year ended June 30, 2018 was \$4,853.

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 140,788
2020	9,375,416
2021	191,850
2022	202,220
2023	212,776
Thereafter	8,124,433
Subtotal	<u>18,247,483</u>
Less: Issue Costs	(56,212)
Total	<u><u>\$ 18,191,271</u></u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

The School's temporarily restricted net asset as of June 30, 2018 consisted of the following:

Nutrition Programs	\$ 373,303
Prop 39 Clean Energy	<u>577,641</u>
Total	<u><u>\$ 950,944</u></u>

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total STRS plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**FENTON CHARTER PUBLIC SCHOOLS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2018**

NOTE 7 MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy (Continued)

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 1,318,708	100 %
2017	\$ 1,643,659	100 %
2018	\$ 1,876,278	100 %

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2017, the School Employer Pool total plan assets are \$63.6 billion, the total actuarial present value of accumulated plan benefits is \$84.9 billion, contributions from all employers totaled \$1.8 billion, and the plan is 71.9% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814, and www.calpers.ca.gov.

Funding Policy

Active plan members brought into PERS membership prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.5% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2018 was 15.531%. The contribution requirements of the plan members are established and may be amended by State statute.

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Funding Policy (Continued)

The School's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 378,614	100 %
2017	\$ 487,089	100 %
2018	\$ 536,470	100 %

NOTE 8 POST RETIREMENT HEALTH BENEFIT PLAN

The School sponsors a defined benefit postretirement medical plan. Employees are eligible for certain medical benefits under the plan if they meet certain age and service requirements at the time of retirement. The School accrues actuarially determined costs ratably to the date an employee becomes eligible for such benefits.

The School has adopted the provisions of FASB ASC 715-20 and ASC 715-60 for the reporting of the postretirement benefit payable and net periodic postretirement benefit cost. The following tables set forth further information about the School's postretirement health benefit plan obligation and funded status as of June 30, 2018.

Projected Benefit Obligation at June 30	\$ (11,367,331)
Plan Assets at Fair Value	4,081,429
Funded Status at End of Year	<u>\$ (7,285,902)</u>
Employer Contributions	\$ 878,101
Plan participants' Contributions	-
Benefits Paid	84,448

Amounts recognized in the consolidated statement of financial position at June 30, 2018 consist of:

Reconciliation of Funded Status	
Accumulated postretirement Benefit Obligation (APBO)	\$ 11,367,331
Fair Value of Plan Assets	4,081,429
Funded Status	<u>7,285,902</u>
Unrecognized Amounts:	
Actuarial Gain/(Loss)	(3,785,633)
Prior Service Cost	-
Transition Asset/(Obligation)	<u>(3,502,006)</u>
Postretirement Benefit Payable	<u>\$ (1,737)</u>

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 POST RETIREMENT HEALTH BENEFIT PLAN (CONTINUED)

Amounts recognized in the consolidated statement of activities at June 30, 2018 consist of:

Service Cost (End of Year	\$ 447,680
Interest Cost	313,966
Expected return on Plan Assets	(125,122)
Amortization of Actuarial Gain	57,142
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	194,556
Net Periodic Postretirement Benefit Cost	<u>\$ 888,222</u>

The postretirement benefit payable is reported in the accounts payable and accrued liabilities line item in the consolidated statement of financial position and the net periodic postretirement benefit cost is reported in the other employee benefits line in the consolidated statement of functional expenses.

Weighted-average assumptions used to determine benefit obligations as of June 30, 2018 are as follows:

Discount Rate	3.82 %
Expected Long-Term Return on Plan Assets	3.82 %
Rate of Compensation	N/A
Health Care Cost Trend Rate Assumed for Next Year	6.75 %
Rate to which the Cost Trend Rate is Assumed to Decline (Ultimate Trend Rate)	5.00 %
Year that the Rate Reaches the Ultimate Trend Rate	3 Years

The School expects to contribute approximately \$998,452 to the plan the next fiscal year.

The following is a projection of expected future benefit payments under the plan:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 192,008
2020	229,812
2021	296,465
2022	373,574
2023	436,670
2024-2028	2,981,858

The expected rate of return on Pension Plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 POST RETIREMENT HEALTH BENEFIT PLAN (CONTINUED)

Fair value of plan assets are as follows as of June 30, 2018:

	<u>Fair Value</u>	<u>Level 1</u>
Corporate Bonds	\$ 2,574,250	<u>\$ 2,574,250</u>
Cash and Cash Equivalents	1,507,179	
Fair Value of Plan Assets	<u>\$ 4,081,429</u>	

NOTE 9 CONTINGENCIES

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

The School is subject to asserted and unasserted claims encountered in the normal course of business. The School's management and legal counsel assess such contingencies and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the School or unasserted claims that may result in such proceedings, the School's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. These claims are covered by insurance, and no range of loss is estimated. In the opinion of management, disposition of these matters will not have a material effect on the School's financial condition or results of operations.

NOTE 10 OPERATING LEASES

The School leases its facilities under lease agreements, where the last lease expires in June 2035. Lease expense under these agreements for the year ended June 30, 2018 was \$516,924.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 597,294
2020	597,294
2021	597,294
2022	597,294
2023	517,327
Thereafter	6,120,000
Total	<u>\$ 9,026,503</u>

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets for the School were restated in the amount of \$5,132,739 to record the defined benefit postretirement medical plan's unfunded liability in accordance with Accounting Standards Codification (ASC) 715.

Tentative -
For discussion purposes only
Subject to revision

SUPPLEMENTARY INFORMATION

Tentative
For discussion purposes only
Subject to revision

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

	<u>Instructional Minutes</u>		<u>Traditional Instructional Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>		
Fenton Avenue Charter School				
Transitional Kindergarten	36,000	53,295	184	In compliance
Grade 3	50,400	58,435	184	In compliance
Grade 4	54,000	58,435	184	In compliance
Grade 5	54,000	58,435	184	In compliance
Fenton Primary Center				
Transitional Kindergarten	36,000	55,140	184	In compliance
Kindergarten	36,000	57,805	184	In compliance
Grade 1	50,400	56,345	184	In compliance
Grade 2	50,400	58,090	184	In compliance
Santa Monica Blvd. Community Charter School				
Kindergarten	36,000	55,690	184	In compliance
Grade 1	50,400	55,690	184	In compliance
Grade 2	50,400	57,530	184	In compliance
Grade 3	50,400	59,370	184	In compliance
Grade 4	54,000	59,370	184	In compliance
Grade 5	54,000	59,370	184	In compliance
Grade 6	54,000	59,370	184	In compliance
Fenton Charter Leadership Academy				
Kindergarten	36,000	58,975	184	In compliance
Grade 1	50,400	55,295	184	In compliance
Grade 2	50,400	55,295	184	In compliance
Grade 3	50,400	58,975	184	In compliance
Fenton STEM Academy				
Kindergarten	36,000	58,975	184	In compliance
Grade 1	50,400	55,295	184	In compliance
Grade 2	50,400	55,295	184	In compliance
Grade 3	50,400	58,975	184	In compliance
Grade 4	54,000	58,975	184	In compliance
Grade 5	54,000	58,975	184	In compliance

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Fenton Avenue Charter School:				
Grades TK/K-3	255.93	258.72	255.80	258.39
Grades 4-6	487.64	492.57	487.86	492.46
Totals	<u>743.57</u>	<u>751.29</u>	<u>743.66</u>	<u>750.85</u>
Fenton Primary Center:				
Grades TK/K-3	728.41	744.18	729.76	744.35
Totals	<u>728.41</u>	<u>744.18</u>	<u>729.76</u>	<u>744.35</u>
Santa Monica Blvd. Community Charter School:				
Grades TK/K-3	519.35	529.29	519.94	529.62
Grades 4-6	362.36	368.51	361.34	366.73
Totals	<u>881.71</u>	<u>897.80</u>	<u>881.28</u>	<u>896.35</u>
Fenton Charter Leadership Academy:				
Grades TK/K-3	271.74	276.86	270.72	276.24
Totals	<u>271.74</u>	<u>276.86</u>	<u>270.72</u>	<u>276.24</u>
Fenton STEM Academy:				
Grades TK/K-3	144.92	147.35	145.03	147.46
Grades 4-6	142.74	144.92	142.58	144.54
Totals	<u>287.66</u>	<u>292.27</u>	<u>287.61</u>	<u>292.00</u>
ADA Totals	<u><u>2,913.09</u></u>	<u><u>2,962.40</u></u>	<u><u>2,913.03</u></u>	<u><u>2,959.79</u></u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

There were no adjustments and reclassifications for the year ended June 30, 2018.

Tentative -
For discussion purposes only
Subject to revision

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FACS	FPC	SMBC	FCLA	STEM	Total
U.S. Department of Education								
Pass-Through Program From								
California Department of Education:								
Every Student Succeeds Act								
Title I, Part A, Basic Grants:								
Low-Income and Neglected	84.010	14329	\$ 419,688	\$ 348,631	\$ 464,446	\$ 72,983	\$ 101,083	\$ 1,406,831
Title II, Part A, Teacher Quality	84.367	14341	37,387	38,450	49,457	9,137	11,765	146,196
Title III, Limited English Proficiency	84.365	14346	23,632	42,289	67,442	-	-	133,363
Special Education Cluster:								
Special Education - IDEA Basic								
Local Assistance	84.027	13379	146,141	144,758	174,640	53,855	56,852	576,246
Special Education Cluster Total			<u>146,141</u>	<u>144,758</u>	<u>174,640</u>	<u>53,855</u>	<u>56,852</u>	<u>576,246</u>
<i>Total U.S. Department of Education</i>			626,848	574,128	755,985	135,975	169,700	2,262,636
U.S. Department of Agriculture								
Pass-Through Program From								
California Department of Education:								
Child and Adult Care Food Program	10.558	13666	204,579	111,866	125,412	48,569	51,023	541,449
Child Nutrition Cluster:								
School Breakfast Program Especially								
Needy	10.553	13526	145,699	180,947	214,153	64,728	67,878	673,405
National School Lunch Program	10.555	13396	303,086	376,409	445,486	134,648	141,201	1,400,830
Meal Supplements	10.555	13396	24,262	30,132	35,662	10,778	11,304	112,138
Child Nutrition Cluster Total			<u>473,047</u>	<u>587,488</u>	<u>695,301</u>	<u>210,154</u>	<u>220,383</u>	<u>2,186,373</u>
<i>Total U.S. Department of Agriculture</i>			677,626	699,354	820,713	258,723	271,406	2,727,822
U.S. Department Health and Human Services								
Pass-Through Program From								
California Department of Education:								
Medicaid Cluster	93.778	10060	34,056	20,434	43,201	5,448	5,268	108,407
<i>Total U.S. Department Health and Human Services</i>			<u>34,056</u>	<u>20,434</u>	<u>43,201</u>	<u>5,448</u>	<u>5,268</u>	<u>108,407</u>
Total Federal Expenditures			<u>\$ 1,338,530</u>	<u>\$ 1,293,916</u>	<u>\$ 1,619,899</u>	<u>\$ 400,146</u>	<u>\$ 446,374</u>	<u>\$ 5,098,865</u>

N/A - Pass-through entity number not readily available or not applicable.

See the Auditors' Report and the Notes to Supplementary Information.

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - FCPS
JUNE 30, 2018

ASSETS	<u>FACS</u>	<u>FPC</u>	<u>SMBC</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 4,103,931	\$ 3,149,872	\$ 3,671,825	\$ 213,857	\$ 62,236	\$ 1,550,433	\$ -	\$ 12,752,154
Investments	-	-	-	-	-	1,491,523	-	1,491,523
Accounts Receivable - Federal and State	322,824	724,239	424,479	273,161	284,001	-	-	2,028,704
Accounts Receivable - Other	558	594,421	123,863	-	-	-	-	718,842
Intercompany Receivables	4,026	630,543	-	-	-	1,304,237	(20,611)	1,918,195
Prepaid Expenses and Other Assets	102,830	73,875	52,108	90,812	94,767	15,722	-	430,114
Total Current Assets	<u>4,534,169</u>	<u>5,172,950</u>	<u>4,272,275</u>	<u>577,830</u>	<u>441,004</u>	<u>4,361,915</u>	<u>(20,611)</u>	<u>19,339,532</u>
LONG-TERM ASSETS								
Property, Plant, and Equipment, Net	3,886,077	340,892	3,253,327	191,393	191,926	13,711	-	7,877,326
Intercompany Notes Receivable	-	1,246,944	-	-	-	-	-	1,246,944
Other Long-Term Assets	-	12,500	-	30,000	30,000	106,327	-	178,827
Total Long-Term Assets	<u>3,886,077</u>	<u>1,600,336</u>	<u>3,253,327</u>	<u>221,393</u>	<u>221,926</u>	<u>120,038</u>	<u>-</u>	<u>9,303,097</u>
Total Assets	<u>\$ 8,420,246</u>	<u>\$ 6,773,286</u>	<u>\$ 7,525,602</u>	<u>\$ 799,223</u>	<u>\$ 662,930</u>	<u>\$ 4,481,953</u>	<u>\$ (20,611)</u>	<u>\$ 28,642,629</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 106,122	\$ 1,725,793	\$ 487,670	\$ 75,614	\$ 78,900	\$ (2,009)	\$ -	\$ 2,472,090
Intercompany Payables	-	-	-	-	20,611	-	(20,611)	-
Capital Lease, Current Portion	-	-	-	92,984	92,984	-	-	185,968
Notes Payable, Current Portion	-	-	-	50,000	50,000	-	-	100,000
Total Current Liabilities	<u>106,122</u>	<u>1,725,793</u>	<u>487,670</u>	<u>218,598</u>	<u>242,495</u>	<u>(2,009)</u>	<u>(20,611)</u>	<u>2,758,058</u>
LONG-TERM LIABILITIES								
Defined Benefit Liability	-	-	-	-	-	7,285,902	-	7,285,902
Capital Lease	-	-	-	1,592	1,592	-	-	3,184
Notes Payable	-	-	-	50,006	50,006	-	-	100,012
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,598</u>	<u>51,598</u>	<u>7,285,902</u>	<u>-</u>	<u>7,389,098</u>
Total Liabilities	<u>106,122</u>	<u>1,725,793</u>	<u>487,670</u>	<u>270,196</u>	<u>294,093</u>	<u>7,283,893</u>	<u>(20,611)</u>	<u>10,147,156</u>
NET ASSETS								
Unrestricted	8,014,624	4,925,386	6,550,892	508,449	347,118	(2,801,940)	-	17,544,529
Temporarily Restricted	299,500	122,107	487,040	20,578	21,719	-	-	950,944
Total Net Assets	<u>8,314,124</u>	<u>5,047,493</u>	<u>7,037,932</u>	<u>529,027</u>	<u>368,837</u>	<u>(2,801,940)</u>	<u>-</u>	<u>18,495,473</u>
Total Liabilities and Net Assets	<u>\$ 8,420,246</u>	<u>\$ 6,773,286</u>	<u>\$ 7,525,602</u>	<u>\$ 799,223</u>	<u>\$ 662,930</u>	<u>\$ 4,481,953</u>	<u>\$ (20,611)</u>	<u>\$ 28,642,629</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATING STATEMENT OF ACTIVITIES - FCPS
YEAR ENDED JUNE 30, 2018**

	FACS	FPC	SMBC	FCLA	STEM	FCPS CMO	Eliminations	Total
UNRESTRICTED NET ASSETS:								
REVENUES								
State Revenue:								
State Aid	\$ 5,439,122	\$ 5,826,410	\$ 6,823,948	\$ 2,115,094	\$ 2,197,096	\$ -	\$ -	\$ 22,401,670
Other State Revenue	838,887	1,570,596	1,264,819	532,707	689,207	-	-	4,896,216
Federal Revenue:								
Grants and Entitlements	1,338,530	1,293,916	1,619,899	400,146	446,374	-	-	5,098,865
Local Revenue:								
In-Lieu Property Tax Revenue	1,812,675	1,795,520	2,166,167	667,994	705,174	-	-	7,147,530
Interest and Investment Income	27,765	28,303	12,045	1,808	2,340	9,027	-	81,288
Other Revenue	84,103	38,945	65,980	26,684	15,513	2,936,498	(1,640,277)	1,527,446
Net Assets Released from Restriction	35,631	14,070	15,927	-	-	-	-	65,628
Total Revenues, Net	<u>9,576,713</u>	<u>10,567,760</u>	<u>11,968,785</u>	<u>3,744,433</u>	<u>4,055,704</u>	<u>2,945,525</u>	<u>(1,640,277)</u>	<u>41,218,643</u>
EXPENSES								
Program Services	9,322,372	9,946,112	11,678,318	3,534,977	3,789,942	4,582,380	(1,640,277)	41,213,824
Management and General	109,619	87,624	104,163	47,946	49,449	516,308	-	915,109
Total Expenses	<u>9,431,991</u>	<u>10,033,736</u>	<u>11,782,481</u>	<u>3,582,923</u>	<u>3,839,391</u>	<u>5,098,688</u>	<u>(1,640,277)</u>	<u>42,128,933</u>
CHANGE IN UNRESTRICTED NET ASSETS	144,722	534,024	186,304	161,510	216,313	(2,153,163)	-	(910,290)
TEMPORARILY RESTRICTED NET ASSETS:								
REVENUES								
Other State Revenue	299,500	85,245	349,506	18,296	19,541	-	-	772,088
Net Assets Released from Restriction	(35,631)	(14,070)	(15,927)	-	-	-	-	(65,628)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	263,869	71,175	333,579	18,296	19,541	-	-	706,460
CHANGE IN TOTAL NET ASSETS	408,591	605,199	519,883	179,806	235,854	(2,153,163)	-	(203,830)
Total Net Assets - Beginning of Year	7,905,533	4,442,294	6,518,049	349,221	132,983	4,483,962	-	23,832,042
Adjustment for Restatement	-	-	-	-	-	(5,132,739)	-	(5,132,739)
Total Net Assets - Beginning of Year, as Restated	<u>7,905,533</u>	<u>4,442,294</u>	<u>6,518,049</u>	<u>349,221</u>	<u>132,983</u>	<u>(648,777)</u>	<u>-</u>	<u>18,699,303</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 8,314,124</u>	<u>\$ 5,047,493</u>	<u>\$ 7,037,932</u>	<u>\$ 529,027</u>	<u>\$ 368,837</u>	<u>\$ (2,801,940)</u>	<u>\$ -</u>	<u>\$ 18,495,473</u>

See the Auditors' Report and the Notes to Supplementary Information.

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATING STATEMENT OF CASH FLOWS - FCPS
YEAR ENDED JUNE 30, 2018

	FACS	FPC	SMBC	FCLA	STEM	FCPS CMO	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 408,591	\$ 605,199	\$ 519,883	\$ 179,806	\$ 235,854	\$ (2,153,163)	\$ -	\$ (203,830)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:								
Depreciation	294,477	103,604	449,750	102,739	102,858	2,629	-	1,056,057
Unrealized Loss on Investments	-	-	-	-	-	8,477	-	8,477
(Increase) Decrease in Assets:								
Accounts Receivable - Federal and State	37,612	(240,959)	76,343	(124,376)	(71,021)	-	-	(322,401)
Accounts Receivable - Other	2,862	6,719	(4,378)	157	1,524	-	-	6,884
Intercompany Receivables	8,671	(225,274)	-	-	-	1,208,782	(992,179)	-
Prepaid Expenses and Other Assets	47,645	37,638	50,347	(13,671)	(10,237)	57,088	-	168,810
Other Long-Term Assets	-	-	7,720	-	-	-	-	7,720
Increase (Decrease) in Liabilities:								
Accounts Payable and Accrued Liabilities	(65,263)	149,055	(14,809)	32,382	43,438	(10,898)	-	133,905
Intercompany Payables	-	-	-	(220,174)	(772,005)	-	992,179	-
Defined Benefit Liability	-	-	-	-	-	2,153,163	-	2,153,163
Net Cash Provided (Used) by Operating Activities	<u>734,595</u>	<u>435,982</u>	<u>1,084,856</u>	<u>(43,137)</u>	<u>(469,589)</u>	<u>1,266,078</u>	<u>-</u>	<u>3,008,785</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of Investments	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Purchases of Property, Plant, and Equipment	(50,615)	(7,451)	(63,990)	(5,644)	(5,644)	-	-	(133,344)
Net Cash Used by Investing Activities	<u>(50,615)</u>	<u>(7,451)</u>	<u>(63,990)</u>	<u>(5,644)</u>	<u>(5,644)</u>	<u>(1,500,000)</u>	<u>-</u>	<u>(1,633,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES								
Repayment on Capital Lease	-	-	-	(96,283)	(96,283)	-	-	(192,566)
Repayments of Debt	-	-	-	(49,998)	(49,998)	-	-	(99,996)
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,281)</u>	<u>(146,281)</u>	<u>-</u>	<u>-</u>	<u>(292,562)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>683,980</u>	<u>428,531</u>	<u>1,020,866</u>	<u>(195,062)</u>	<u>(621,514)</u>	<u>(233,922)</u>	<u>-</u>	<u>1,082,879</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,419,951</u>	<u>2,721,341</u>	<u>2,650,959</u>	<u>408,919</u>	<u>683,750</u>	<u>1,784,355</u>	<u>-</u>	<u>11,669,275</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,103,931</u>	<u>\$ 3,149,872</u>	<u>\$ 3,671,825</u>	<u>\$ 213,857</u>	<u>\$ 62,236</u>	<u>\$ 1,550,433</u>	<u>\$ -</u>	<u>\$ 12,752,154</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,923</u>	<u>\$ 9,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,846</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected to use a rate other than the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 5 INDIRECT COST RATE

The School has elected to use a rate other than the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 6 SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION, ACTIVITIES, AND CASH FLOWS - FCPS

These statements report the financial position, activities and cash flows for each charter school and the FCPS CMO.

Tentative -
For discussion purposes only
Subject to revision



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Fenton Charter Public Schools
Sun Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Fenton Charter Public Schools (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs (Finding 2018-001), we identified certain deficiencies in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School’s Response to Findings

The School’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 17, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE**

Board of Directors
Fenton Charter Public Schools
Sun Valley, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Fenton Charter Public Schools (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 17, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Fenton Charter Public Schools
Sun Valley, California

We have audited Fenton Charter Public Schools's (the School) compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. The School's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
Before/ After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 17, 2018

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A Basic Grants Low-Income and Neglected
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes <u> </u> no

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Finding 2018-001 – Restatement of Net Assets

Criteria: Generally Accepted Accounting Principles (US GAAP) state that the unfunded portion of a defined benefit postretirement medical plan be recorded as a liability on the entity's books.

Condition: The School elected to not record this liability as it misleads the readers of the financial statements and is a noncash item based on various estimates.

Effect: Expenses and liabilities were understated in the previous year resulting in a restatement of net assets in the current year.

Cause: Misunderstanding of accounting for postretirement medical plan liability.

Questioned Costs and Units: None

Recommendation: The School should implement additional review processed to ensure the liability is recorded and adjusted annually.

Corrective Action Plan: Management will ensure liability is adjusted going forward.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section IV – Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Tentative -
For discussion purposes only
Subject to revision

**FENTON CHARTER PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no findings and questioned costs related to the basic consolidated financial statements, federal or state awards in the prior year.

Tentative -
For discussion purposes only
Subject to revision